



Local Government Commission

980 9th Street • Suite 1700 • Sacramento, CA 95814 • (916) 448-1198

November 11, 2015

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Executive Director
Kate Meis

Chairman Mary D. Nichols and Executive Officer Richard Corey
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Chairman Nichols and Executive Officer Corey:

The Local Government Commission welcomes the opportunity to provide comments on the next draft of the **Cap-and-Trade Auction Proceeds Second Investment Plan**. We applaud the longer-term vision the state has taken—focusing on investments that will result in long-term benefits and zero carbon systems by “accelerating current programs and projects as well as pursuing additional innovative strategies across sectors—all while providing the opportunity for California to adapt to the impacts of climate change and delivering a multitude of other tangible benefits to Californians.” As noted in our prior letter, these are exactly the kinds of cross-cutting approaches we feel are needed.

We are also very glad to see the mention of a need and possible approach to supporting rural communities who – by virtue of their resource base – are a critical part of California’s climate response, but are extremely limited in their capacity to participate. Current methods employed in CalEnviroScreen to determine disadvantaged communities, often leave rural communities out when it comes to accessing targeted funding, we hope the proposed rural program can address the current imbalance.

We want to point out that although “statute establishes” the goal to “foster job creation by promoting in-State GHG emission reduction projects carried out by California workers and businesses,” the job creation elements of this investment plan are not as clearly defined or as linked to program design concepts as they might be. Implementing projects alone doesn’t create a pipeline of capable and trained workers. However, if the investment plan were to more intentionally align project development with job creation and job training it might serve the purposes and foster a workforce to emerge alongside demand. With respect to this point, we again include our comments from our last letter for additional consideration at this stage.

We want to express our support for the inclusion as one of the recommendations, “market-based mechanisms (e.g., Cap-and-Trade), planning initiatives, and further research and development to continue reductions,” as an important catalyst for long-term realization of GHG reduction. In order to achieve the 2030 and 2050 goals outlined in this plan, local communities will need greater support to investigate and identify strategic initiatives to build a pipeline of advanced carbon reducing projects over time. We also strongly concur that leveraging market mechanisms will be critical. We have repeatedly heard from the private sector that financing is not the issue preventing investment in local projects; it’s the lack of viably packaged projects.

In light of this emphasis on innovation, and long-term strategies, we are pleased that the last version focused more attention on deployment of innovative and integrated approaches and maximizing the state's investment by leveraging public-private partnerships, financing mechanisms and other existing resources. That said the Investment Plan should be more prescriptive in breaking down funding silos in order to best support innovative and integrated projects. Specifically the Investment Plan should call for an **Integrated Climate Fund** to support multi-sector, multi-benefit projects. Although we are supportive of the two cross cutting approaches that highlight this new approach most directly, we feel they could be broader and stronger, below we offer a few comments.

Local Climate Action in Disadvantaged Communities

We fully agree for the need to “support local transformation through climate action in disadvantaged Communities” and would welcome a program that allowed for “integrated projects.” However we see no reason the benefits of integrated projects should be limited to disadvantaged communities. Throughout California, “Community residents or local governments with jurisdictions” “well positioned to identify projects that reduce GHG emissions to meet local needs and support community-wide transformation.” Empowering local government “conveners” in any community is going to help identify the best projects with the greatest chance for significant reductions.

Efficient Financing Mechanisms to Maximize Investment

As with the first cross-cutting strategy, we agree that “diversifying financing mechanisms for GHG emission reduction projects could extend the utility of GGRF proceeds, strengthen the State's investment portfolio, benefits statewide.” In our prior submission (included below for reference) we outline a number of strategies and mechanisms that could be considered. Where we feel the currently described approach could be strengthened is in the implementation path outlined. The current proposal continues to leave “program design and project selection responsibilities” with the State agencies who have “relevant expertise.” We agree that state agencies have expertise in projects that needs to be considered, but at the same time, many projects cross sectors and domains. To unlock the full financing potential of the market so as to extend the utility of GGRF funds, such a model ideally would pool some funding from related grants across State agencies into an Integrated Climate Fund that would support sustainable community measures and allow local governments to submit integrated projects with one application. This would streamline the process for local governments interested in participating, and more importantly would package projects in a consistent and comprehensive manner appealing to the private sector or conducive to attracting other financing mechanisms, thus better enabling the expansion of utilities this program concept is designed for.

Thank you for your leadership. We welcome the opportunity to provide additional clarification or support development of specific language as desired.

Sincerely,



Kate Meis
Executive Director

Suggestions from Prior Comment Letter

1. Create an Integrated Climate Funding Market

In order to meet the state's ambitious greenhouse gas reduction targets we will need to rethink the way local climate change measures are developed and funded. Far from simply asking for a handout, local governments are recognizing that they also need to diversify their funding sources, maximize project scoping and execution efficiencies, and evolve their approach to implementing projects. Local governments are now realizing they should be investing general fund dollars, using permit fees, passing bond measures, creating financing districts and partnering with the private sector to implement their integrated sustainability plans (climate action, energy, sustainable community, and general plans). Moving forward we need a more coordinated and streamlined approach that can leverage public and private funds to better implement strategies over time that achieve state (and local) climate goals. ***By aggregating both state and local resources we can create an Integrated Climate Funding Market— using a performance-based approach— to expedite implementation, reduce administrative redundancies, optimize return on investment and achieve deeper savings*** (refer to Integrated Climate Funding Market concept proposal attached).

- **State Resource Aggregation – Create a California Integrated Climate Funding JPA**

Existing community visions (as expressed through climate action plans, sustainable community strategies and general plans) provide a roadmap of integrated measures that help the local jurisdiction reduce greenhouse gas emissions and increase resiliency. This comprehensive vision is then fractured across a number of different local departments to pursue separate state grants that can fund single measures or a component of a larger project. ***Creating an intra-State Joint Powers Authority and pooling a small percentage of funding from related grants across State agencies that support sustainable community measures would allow local governments to submit integrated projects with one application.*** Such a structure would reduce barriers to entry for many local governments hoping to fund climate action strategies. In addition it would provide flexibility (based on performance) to support cutting edge strategies that do not neatly fit into, or optimally perform, under individual grant programs.

- **Aggregation of Local Resources— Integrated Community Resource Markets**

At the local level, jurisdictions can be a lot more proactive in “unshelving” their plans and identifying priority projects that can be bundled for private and public investors creating Integrated Community Resource Markets that provides a more stable and strategic funding environment to implement sustainability goals. Potential mechanisms include Joint Powers Authorities, financing districts or pooling regional funds through County Treasurers. Such a pay-for-performance structure would monetize resource savings achieved through community level initiatives such as Property Assessed Clean Energy (PACE) programs or renewable-based electric vehicle charging, and sell the savings to existing and developing markets (including Cap and Trade) that fund energy, greenhouse gas, and water conservation activities. Enabling community funding markets would help to prioritize and integrate projects, leverage diverse funding sources and expedite the implementation of local climate initiatives.

2. Provide Targeted Local Assistance and Workforce Training

To fully realize the goals of the program, we need to close this capacity gap to participate in the GGRF program - especially for the disadvantaged communities who are a primary target of the

program. Eliminating barriers for accessing the funds and building the workforce capacity to implement the projects will be critical for long-term success.

- One mechanism for closing this gap is the ***Governor's Initiative CivicSpark Program***, a capacity building program designed to support local climate change initiatives. Launched last year, CivicSpark has supported over 80 local governments around the state on a variety of climate related projects. CivicSpark members are in an ideal position to lend assistance to local governments as they apply for GGRF funding and implement projects. To date, these emerging leaders have successfully supported research, planning and implementation of projects from Eureka to Fresno to San Diego. However not every local government – particularly underserved ones with the highest need – can participate in this program. Enabling assistance from the state level— by embedding CivicSpark members to provide administrative, technical or implementation support— would streamline the application and reporting process, leverage an existing program to further the reach of the limited GGRF dollars, increase access for disadvantaged communities, strengthen the likelihood of successful implementation and train a future workforce of climate leaders across the state.

California's ambitious environmental goals will require a whole new level of innovation – strategies, technologies and partnerships yet unseen. As a state, California has thrived by advancing environmental goals, developing groundbreaking technology and continuing at the cutting edge of the nation and, in many cases, the world. To foster this level of creativity will require expediting and streamlining implementation while still maintaining transparency, accountability and measurable outcomes in line with state priorities. By working at both the state and local levels to aggregate projects and match funding, and by providing local assistance and workforce training we can create a strategic and sustainable approach to implementing local climate initiatives.